

BOARD OF TRUSTEES
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
REPORT SUMMARY

Date of Meeting: January 22, 2019

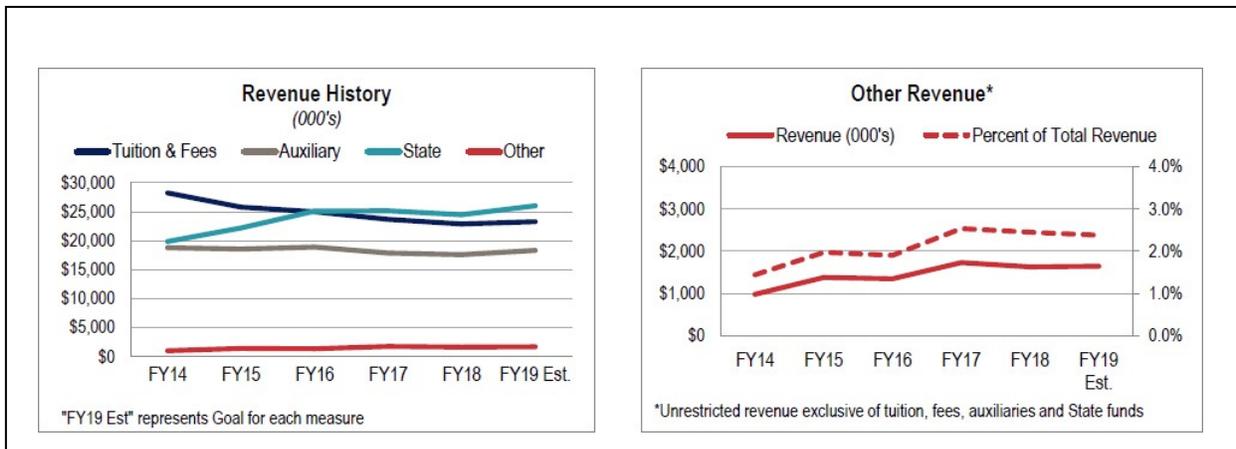
Date of Next Meeting: TBD

Committee Chair: John Wobensmith '93

Committee Members: Anirban Basu, Lex Birney, Donny Bryan '73, Liza Gijanto, Board Chair
Sven Holmes, President Tuajuanda Jordan

Staff Member: Paul Pusecker

Dashboard Metrics



Executive Summary

Discussion Items

Status of FY20 Operating Budget Development:

The status of the preliminary FY20 operating budget, including a review of revenues and expenses, is provided. The preliminary estimates provided in the material are conservative at this time and will be refined over the coming months. The current projection shows a deficit of \$0.4M prior to refinement of assumptions and cost reduction efforts for FY20.

The preliminary FY20 leadsheet incorporates tuition and fee rates, currently anticipated student counts for the expected scenario, and State support based on the Governor's proposed FY20 budget. Counts reflect a baseline of 1,426 total students, which is stable in comparison to FY19. The stable enrollment model anticipates 375 first-year students and 100 transfer students.

Tuition rates are programmed to rise 2% and fees at 3%. Planned FY20 revenues include achievement of DeSousa-Brent graduation targets. Increases to FY20 wages include COLA and

merit / market increases, as well as promotional pools for faculty and staff, an allowance for strategic initiatives, and cost increases related to dining operations and utilities.

Information Items

FY19 Financial Results to Date:

Total revenue is 3.24% higher year-to-year (FY19 vs FY18) and tuition and fee revenues are 3.8% higher over FY18. Tuition & Fees include the spring billing and are at 101.9% of budget to actual for the year. State appropriations are at expected levels for this time in fiscal year, which is 75% of budget. Overall, as of the report preparation date, we have achieved 87.8% of budgeted revenue for the year, which is consistent with previous budget years. Expenditures are 1.76% higher than last year. Scholarship expense is \$781K higher than the prior year and 6.7% over budget or \$452K over-expended at this time.

Revision of the FY19 Plant Fund (Capital) Budget:

Revisions to the plant fund (capital) budget for FY19 are provided and reflect changes from the final approved FY19 plant budget total that was approved at the October 22, 2018, Finance, Investment, and Audit Committee meeting. The changes add new funding from the College operating budget in the amount of \$375K to support new plant projects for FY19.

Enterprise Resource Planning System (ERP):

The Enterprise Resource Planning (ERP) proposal was awarded to the Campus Management Corporation, who will provide the CampusNexus Student and the CampusNexus Finance, HR & Payroll modules for the institution. The College has \$2.4M in one-time funds previously reserved and has reserved additional funds as necessary to support the new ERP and its implementation. It is anticipated that the implementation plan will kick off in early 2019. It will take approximately two- to three-years to fully implement the ERP system.

Joint Investment Activities:

The Joint Investment Advisory Committee met on November 13, 2018 to review financial information on the Foundation and College endowments. See attached for information related to the Foundation and College investments. As of November 30, 2018, the total market value of the Foundation's endowment is \$31.7M. The College holds investments totaling \$3.9 million consisting of Endowment and Quasi-Endowment: \$2.87M are funds functioning as endowment (Quasi) and \$1.02M represents the Blackstone Endowment.

Historical Discount Rate/Enrollment:

Data illustrating the overall institutional discount trend for both first-year and transfer student discount trends is presented.

Action Item(s) related to specific strategic plan goals as appropriate:

Action Item II.A. Handbook Policy Revision (Parental Leave Policy):

To comply with State Personnel and Pensions Article Code of Maryland Regulations, the Parental Leave Policy must be updated within the Employee Handbook and the Faculty Bylaws. The updates include a change in the number of days and type of leave that may be used by the employee. The updated policy would become effective October 1, 2018.



**FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019**

AGENDA

I. DISCUSSION ITEMS

- A. Status of FY20 Operating Budget Development
- B. Dashboards

II. ACTION ITEMS

- A. Handbook Policy Revision (Parental Leave Policy)

III. INFORMATION ITEMS

- A. FY19 Financial Results to Date
- B. Revision of the FY19 Plant Fund (Capital) Budget
- C. Enterprise Resource Planning System (ERP)
- D. Reportable Procurement Items
- E. Joint Investment Activities
- F. Historical Discount Rate / Enrollment
- G. Foundation President Report
- H. Minutes (Meeting of October 22, 2018)

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
DISCUSSION ITEM I.A.
STATUS OF FY20 OPERATING BUDGET DEVELOPMENT**

The College's preliminary FY20 operating budget leadsheet provides a review of revenues and expenses based on current assumptions. The preliminary estimates provided in the attached leadsheet, and underlying assumptions from which they are based, are conservative at this time of the budget process and will be refined over the coming months. The current projection shows a deficit of \$0.4M prior to refinement of assumptions and cost reduction efforts for FY20.

Revenues: The preliminary FY20 leadsheet incorporates tuition and fee rates, currently anticipated student counts for the expected scenario, and State support based on the Governor's proposed FY20 budget. Counts reflect a baseline of 1,426 total students, which is stable in comparison to FY19. The stable enrollment model anticipates 375 first-year students and 100 transfer students.

Tuition rates are programmed to rise 2% and fees at 3%. Additional State funding for possible COLA increases and health insurance rate changes are not known at this time. Revenue from the Foundation is undetermined at this time.

Planned FY20 revenues include achievement of DeSousa-Brent graduation targets. The \$800K for FY20 was moved to the Maryland Higher Education Commission (MHEC) as a grant and it will be allocated to St. Mary's College if the target is met.

Expenses: Increases to FY20 wages include COLA and merit/market increases, as well as promotional pools for faculty and staff, an allowance for strategic initiatives, and cost increases related to dining operations and utilities.

**DISCUSSION ITEM I.A.
STATUS OF FY20 OPERATING BUDGET DEVELOPMENT**

	FY20	FY20 Current Baseline
<u>Tuition</u>	20,981,087	20,422,337
<u>Fees</u>	3,305,145	3,182,128
<u>State Appropriation - General Fund Grant & HEIF</u>	23,103,092	23,103,092
<u>Health and Retiree reduction</u>		
<u>Inflator</u>	714,810	723,706
<u>HEIF Piece</u>	2,549,840	2,549,840
<u>State Appropriation - 2% Tuition Buydown</u>		
<u>State Appropriation - Wage Pool Contribution</u>	296,920	296,920
<u>State Appropriation - Health Contribution</u>		
<u>Sales & Services - Educational</u>	817,814	808,918
<u>Endowment / Investment Income (College)</u>	585,000	585,000
<u>Foundation Unrestricted Support</u>	75,000	75,000
<u>Auxiliary Enterprises</u>	18,966,165	18,713,960
<u>Other</u>	251,600	251,600
<u>Total Current Fund Unrestricted Revenues</u>	71,646,473	70,712,501
<u>Expenditures:</u>		
<u>Base Budgets Forward</u>	26,035,652	26,035,652
<u>Scholarships</u>	6,881,535	6,881,535
Fund ongoing deficit related to 18 and 19 scholarship award	419,000	419,000
Additional Scholarships	600,000	600,000
<u>Total Base Budgets + Transfers</u>	33,936,187	33,936,187
<u>Wages & Benefits</u>	36,698,577	36,698,577
State mandated Health Change	(235,436)	(235,436)
FY19 People Additions	499,220	499,220
Foundation Endowed Chairs & Admin Support	(185,261)	(185,261)
Instructional Wage Savings		
Wage Pool: Faculty Tenure & Promotions only	110,000	110,000
Faculty & Staff Wage Pool	833,724	833,724
Related FICA & Pension	133,396	133,396
Staff Promotions	60,000	60,000
Misc adj to tie to state budget	10,880	10,880
Repeat Deferral in FY20, implement 1/1/20	(483,560)	(483,560)
Health		
State Share		
SMCM Share		
<u>Total Wages + Benefits</u>	37,441,540	37,441,540
<u>FY19 Additions / Reductions:</u>		
<u>Strategic Initiatives</u>	447,071	447,071
Ongoing Debt savings	(402,284)	(402,284)
One time debt service savings		(531,369)
<u>Insurance FY20</u>	32,733	32,733
<u>Dining Adjustments - net</u>	126,000	126,000
<u>Utilities - 3%</u>	103,551	103,551
	268,746	(262,623)
<u>Total Expenditures</u>	71,646,473	71,115,104
<u>Surplus (Deficit)</u>	0	(402,603)

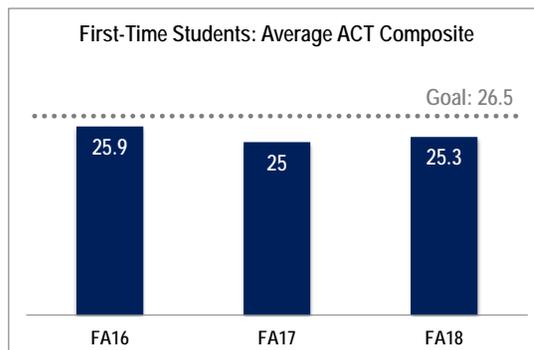
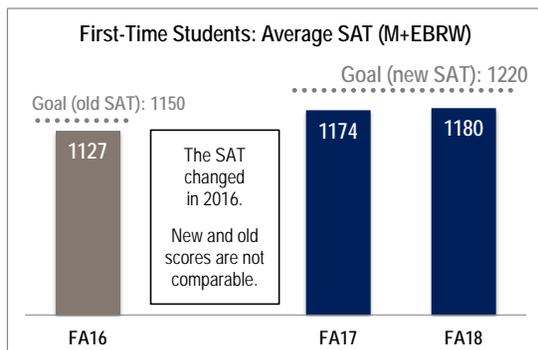
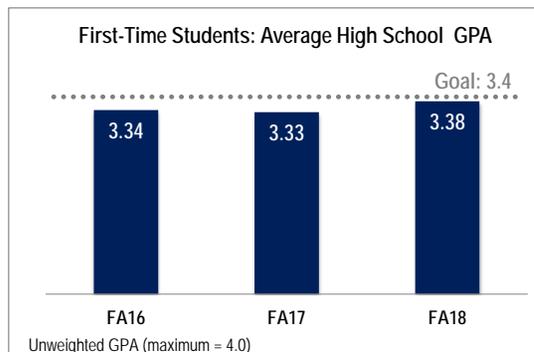
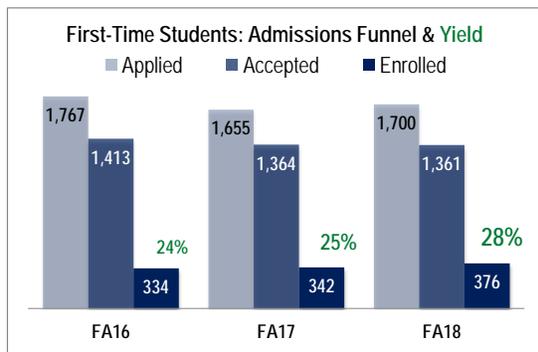
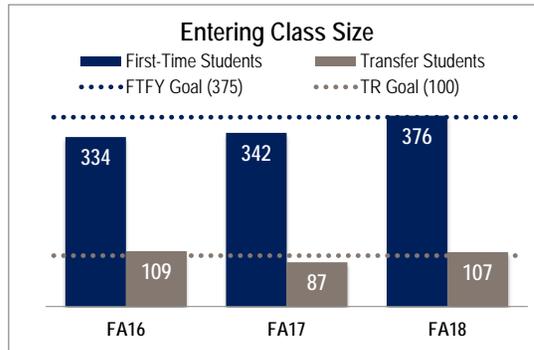
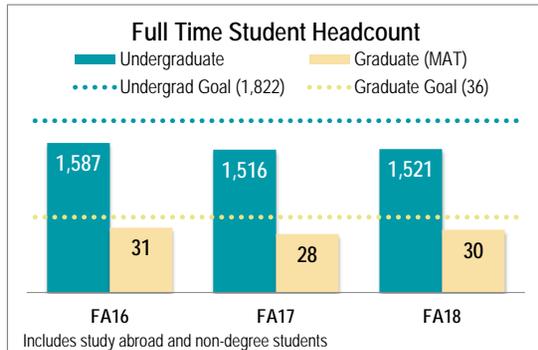
**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2018
DISCUSSION ITEM I.B.**



Board of Trustees Dashboard - January 2019

Student Characteristics in Enrollment

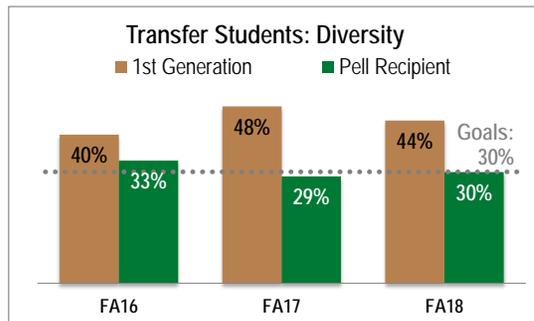
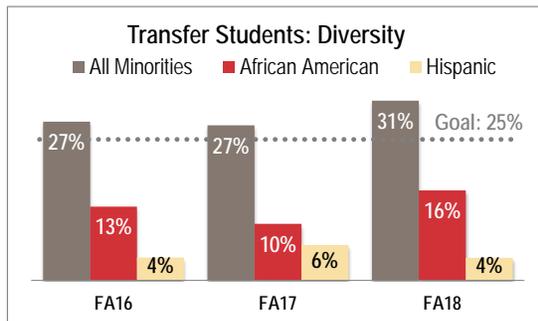
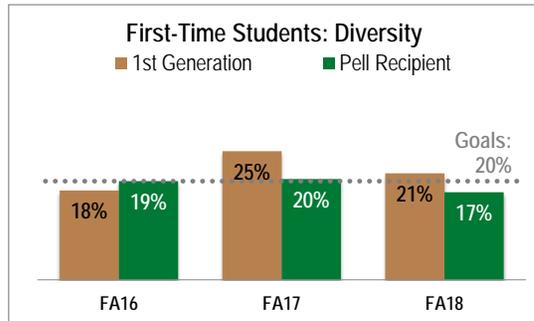
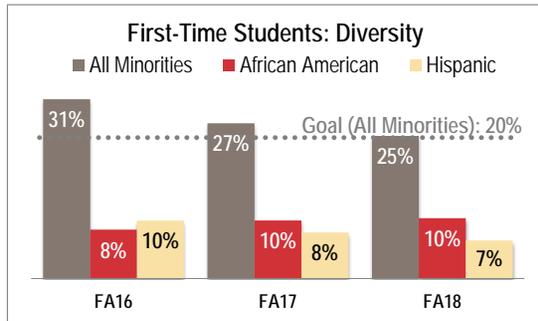
Fall 2018 figures based on final census (freeze) data, 9/24/18



Board of Trustees Dashboard - January 2019

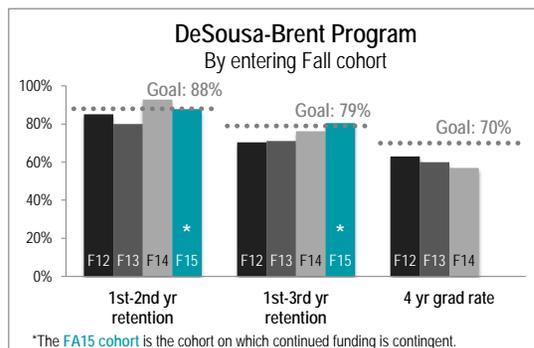
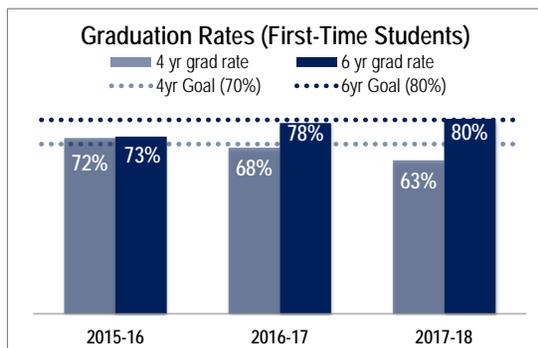
Student Characteristics in Enrollment

Fall 2018 figures based on final census (freeze) data, 9/24/18



Student Retention and Persistence

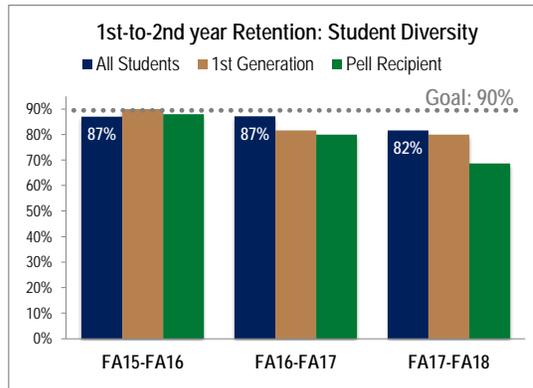
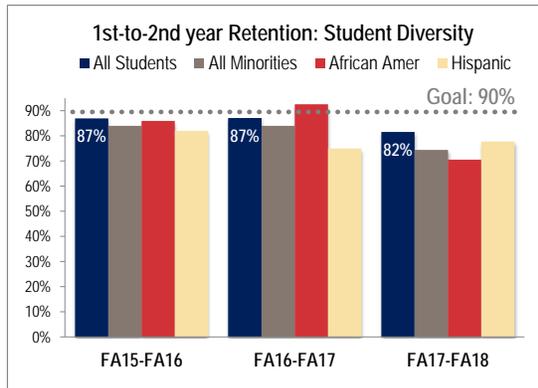
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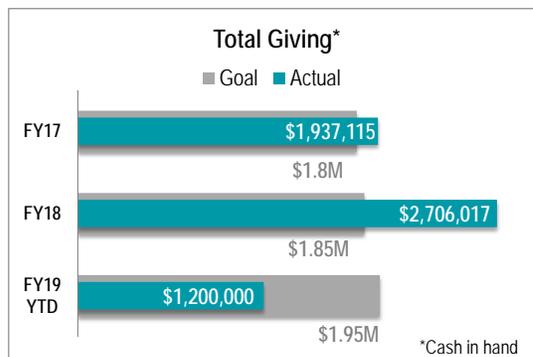
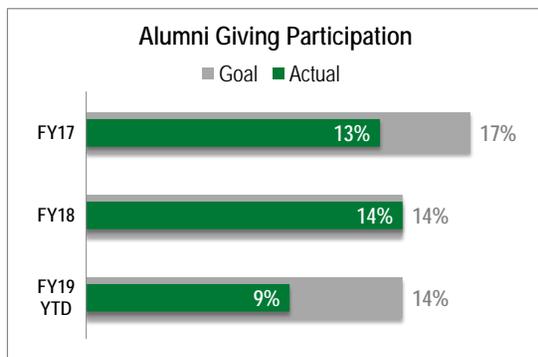
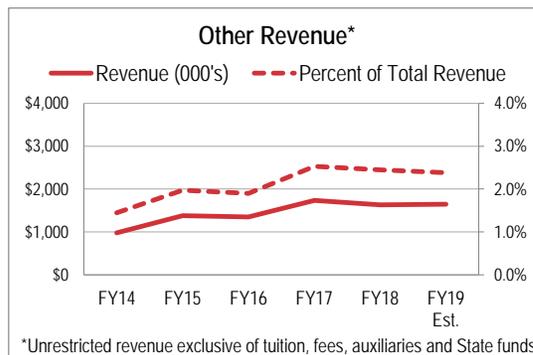
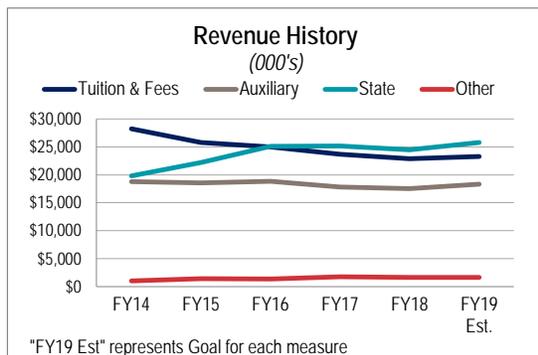
Board of Trustees Dashboard - January 2019

Student Retention and Persistence

Fall 2018 figures based on final census (freeze) data, 9/24/18



Revenue and Fundraising



**BOARD OF TRUSTEES
ST. MARY’S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
ACTION ITEM II.A.
HANDBOOK POLICY REVISIONS**

RECOMMENDED ACTION

The Finance, Investment, and Audit Committee recommends that the Board of Trustees approve the following revisions to the St. Mary’s College of Maryland Employee Handbook (“Handbook”):

To update in the staff Handbook the Parental Leave Policy to comply with State Personnel and Pensions Article § 9-1101,9-1108, Code of Maryland Regulations, Title 17, Subtitle 04, Chapter 11, Section 29.

To update faculty Parental Leave Policy to comply with State Personnel and Pensions Article § 9-1101,9-1108, Code of Maryland Regulations, Title 17, Subtitle 04, Chapter 11, Section 29

RATIONALE

The updated policy is needed to comply with the Code of Maryland Regulations effective October 1, 2018

The updates to the policy include;

- 1) the change in the amount of paid parental leave from thirty (30) days to sixty (60) days employees are provided and permitted to utilize for the birth or placement of a child under six (6) years old,
- 2) the removal of the restriction of parental leave use once every two (2) years.

PARENTAL LEAVE

Sixty (60 days) of Parental Leave is provided to employees who occupy permanent full-time positions, for the purposes of birth and/or adjustment to the introduction of a child into the employee's home (including adoption or placement prior to adoption), immediately following:

- (1) The birth of the employee's child, or
- (2) The placement of the child under 6 years of age with the employee for adoption.

Employees should notify their supervisors as far in advance as possible of their desire to use Parental Leave. The Office of Human Resources must receive the Parental Leave request forms prior to the birth or placement of the child.

Any employee (female or male) who has been employed by the College for a period of at least one year in a permanent full-time position and is approved for Parental Leave, will be provided with 60 days of paid leave for the birth or adoption of a child. The birth or adoption of the child must occur after one year of full-time employment in a permanent position. Parental Leave will commence on the first day's absence from work following the birth of the employee's child or the placement of a child with the employee for adoption.

An employee approved for Parental Leave will be provided sixty (60) days paid leave. At the employee's preference and with the approval of the supervisor, the leave may be used incrementally such as twenty-four weeks at half time or any combination thereof.

Two College/State employees who otherwise are eligible for Parental Leave are not eligible during the same Parental Leave period for care of the same child. All leave used must run concurrent with the use of any entitlement under the Family Medical Leave Act and count towards the total 12 weeks of Family/Medical Leave available. Parental Leave shall not exceed 60 days.

Upon request for leave in excess of 60 days, eligible employees will be granted such leave to extend the period of leave to a total of 12 workweeks. Specific guidance relating to the use of Family/Medical Leave will be provided by the Office of Human Resources.

If Parental Leave is used and the employee voluntarily ends their employment with the College within one year after the last day used for parental leave, the employee must reimburse the College for all parental leave used, including all fringe benefits or other costs paid by the College as a result of the employee's employment with the College.

PARENTAL LEAVE AGREEMENT

I, _____, understand and acknowledge that I am entitled to a maximum of 60 working days of Parental Leave in accordance with the Parental Leave policy. I also understand and agree that, if I voluntarily end my employment with St. Mary's College while on Parental Leave or within one year after the last day used for parental leave, I must reimburse St. Mary's College for all parental leave used including all fringe benefits or other costs paid by the College.

It is anticipated that my Parental Leave will begin approximately _____. My expected date of return to work is approximately _____. The period of leave may be extended past 60 days to a total of 12 workweeks, in accordance with the Family Medical Leave Act of 1993. All leave used will count towards the total 12 weeks of Family Medical Leave available. I understand that any leave in excess of 60 days of Parental Leave will be charged against my accrued leave, or will be unpaid leave if my accrued leave is exhausted.

Note: The sixty (60) days shall be used however you prefer, with the approval of your supervisor, such as twenty-four weeks at half time or any combination thereof. However, if you requests intermittent leave, you must provide a written schedule of intended leave to the Office of Human Resources. Intermittent leave must be approved by your supervisor and, unless medically necessary, may be denied.

Documentation of birth or placement must be provided, as well as medical certification authorizing return to work (if applicable).

Employee's Signature

Date

Supervisor's Signature

Date

Senior Administrator's Signature

Date

NOTE: The Request for Family/Medical Leave should accompany this form.

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
INFORMATION ITEM III.A.
FY19 FINANCIAL RESULTS TO DATE**

REVENUES

Total revenue is 3.24% higher year-to-year (FY19 vs FY18.) Tuition and fee revenues are 3.8% higher over FY18. Tuition & Fees include the spring billing and are at 101.9% of budget to actual for the year. State Appropriations are at expected levels for this time in fiscal year, which is 75% of budget. Overall, as of the report preparation date we have achieved 87.8% of budgeted revenue for the year, which is consistent with previous budget years.

EXPENDITURES

Overall, expenditures in fiscal year 2019 are running 1.76% higher than the reporting period last year. Scholarship expense is \$781K higher than the prior year and 6.7% over budget or \$452K over-expended at this time.

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANURY 22, 2019
INFORMATION ITEM III.A.
FY19 FINANCIAL RESULTS TO DATE**

Information as of 1-15-2019

	FY19 Budget	FY19 Actual	FY18 Actual	FY19 Actual to Budget
REVENUES:				
Tuition & Fees	23,325,968	23,764,394	22,904,297	101.9%
State Appropriations	25,801,392	19,313,929	18,631,716	74.9%
Federal Grants & Contracts	0	0	0	0.0%
State Grants & Contracts		0	0	
Private Gifts, Grants		0	906	
Endowment Income		0	0	
Sales/Serv Educ Dept	800,039	400,894	590,445	50.1%
Sales/Serv Auxiliary Enter	18,285,841	16,958,038	16,683,827	92.7%
Interest Income Other	496,000	268,413	28,941	54.1%
Additions to Fund Balance - End. Inco	95,000	180	0	
Other Sources	254,400	147,637	101,631	58.0%
TOTAL CURRENT REVENUES	69,058,640	60,853,485	58,941,763	88.1%
EXPENDITURES				
Instruction	20,847,684	8,223,630	8,082,814	39.4%
Research	0	96	0	
Public Service	98,404	45,846	53,705	46.6%
Academic Support	2,234,988	1,142,387	1,366,861	51.1%
Student Services	6,853,454	3,686,708	3,335,409	53.8%
Institutional Support *	17,705,884	6,863,935	6,598,223	38.8%
Operation & Maintenance	5,062,687	2,208,685	2,198,081	43.6%
Scholarships & Fellowships	6,743,672	7,196,026	6,414,731	106.7%
Auxiliary Enterprises	10,798,489	5,283,902	6,002,850	48.9%
TOTAL CURRENT EXPENDITURES	70,345,262	34,651,215	34,052,674	49.3%
Transfers In (Out)				
P & I Debt Requirements	3,792,598	3,792,597	2,293,331	
Non Mandatory Transfers				
Transfer to Plant	375,000	375,000		
Transfer to Quasi				
	0			
	4,167,598	4,167,597	2,293,331	
	74,512,860	38,818,812	36,346,005	52.1%
Total Increase (Decrease) Fund Balance	(5,454,220)	22,034,673	22,595,758	
Carry forward from prior year	5,454,220			
Change over two years	0			

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
INFORMATION ITEM III.B
REVISION OF THE FY19 PLANT FUND (CAPITAL) BUDGET**

St. Mary's College of Maryland made revisions to the plant fund (capital) budget for FY19. The attached schedule, provided for information purposes, shows changes from the final approved FY19 plant budget total that was approved at the October 22, 2018 Finance, Investment, and Audit Committee meeting. The changes add new funding from the College operating budget in the amount of \$375K to support new plant projects for FY19, primary expense being the cost of the proposed utility line burial along Route 5 (\$250K).

**St. Mary's College of Maryland
 FY19 Plant Project Summary
 For December 31, 2018**

FY19 CARS Subfund	Description	FY19 Final Budget	CARS Expense	CARS Encumbrance	Balance
3240	JLR Stadium (Private \$)	3,618,166	644,404	2,973,096	666
3121	Misc. Residence Hall Projects	354,490	160,823	93,957	99,709.96
3004	Misc Small Enhancement	424,509	157,467	48,707	218,334.81
3239	Residence Hall Furniture	311,431	36,165	265,856	9,409.08
3246	Utility Line Burial	250,000	-	-	250,000.00
3003	Misc Maint & Repair	280,583	78,474	142,934	59,174.17
Subtotal Projects > \$200K		5,239,178.00	1,077,333.26	3,524,550.72	637,294.02
Subtotal Projects < \$200K		1,266,540.48	460,290.20	122,398.99	683,851.29
Total All Projects		6,505,718.48	1,537,623.46	3,646,949.71	1,321,145.31

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2018
INFORMATION ITEM III.C.
ENTERPRISE RESOURCE PLANNING SYSTEM (ERP)**

The College has awarded the Enterprise Resource Planning (ERP) proposal to the Campus Management Corporation. The Campus Management System will provide the CampusNexus Student and the CampusNexus Finance, HR & Payroll modules for the institution. The College has \$2.4M in one-time funds previously reserved and has reserved additional funds as necessary to support the new ERP and its implementation. The selection for this system was based on the campus community feedback, best and final technical assessment, and the best and final pricing.

The implementation plan includes the following steps:

- 1) Project Kickoff and Planning
- 2) Analysis/Assessment and Requirements Review
- 3) System Configuration and Administrative Training
- 4) Data Migration/Validation, Integration/Report Development
- 5) User Acceptance Testing (UAT) and Final Training
- 6) Go-Live and Transition Support

It is anticipated that the implementation process will start in early 2019. Currently, cloud computing coordination, online training, and data conversion preparation is occurring within the Office of Information Technology and Campus Management.

The College conducted a coordination meeting on December 18, 2018 with the Campus Management assigned project manager, the Campus Management implementation team, SMCM ERP Steering Committee, and other senior campus leaders to discuss and finalize implementation sequence.

The ERP project will start with the Student CampusNexus (registrar, financial aid, student information systems). Communication strategies are being planned with Campus Management project manager and his team and we will conduct major campus kick-off meeting in early February 2019.

It will take approximately two- to three-years to fully implement the ERP system.

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
INFORMATION ITEM III.D.
REPORTABLE PROCUREMENT ITEMS**

- Campus Management \$2,414,752 (ERP System)
- Service All, Inc. \$225,700 (Trinity Church Sidewalk Project)

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
INFORMATION ITEM III.E.
JOINT INVESTMENT ACTIVITIES**

The Joint Investment Advisory Committee met on November 13, 2018 to review financial information on the Foundation and College endowments. See attached for information related to the Foundation and College investments.

St. Mary's College of Maryland Foundation

As of November 30, 2018, the total market value of the Foundation's endowment is \$ 31.7M. The Foundation's endowment is comprised of three parts - a portion of the JP Morgan portfolio (\$31M), the Student Investment Group (SIG) account (\$302K), and Old Line Bank shares (\$306K).

Of the endowment managed by JP Morgan, the fiscal year-to-date reduction in market value of \$1.2M includes \$43K in contributions, \$185K in income, \$687K decrease in investment value and \$701K of withdrawals. The overall rate of return over the current fiscal year-to-date is (1.6%). Attached is the consolidated investment statement.

St. Mary's College of Maryland Endowment and Quasi Endowment

The College holds investments totaling \$3.9M consisting of Endowment and Quasi-Endowment. \$2.87M are funds functioning as endowment (Quasi) and \$1.02M represents the Blackistone Endowment.

Invested endowment funds, managed by 19/19 Investment Council, have a market value of \$3.5M as of September 30, 2018. Funds are currently invested in a mix of fixed income instruments, and equities. The annualized rate of return over the past four months is 4.48%.

The remaining \$0.4M of College endowment is currently held in a cash investment pool by the State Treasurer. Attached is a summary of the investments and the allocation goals.

St Mary's College of Maryland Foundation, Inc
Consolidated Investment Statement
for the period July 1, 2018 to November 30, 2018
Information Item III.E.

	<u>Beginning Market Value</u> <u>7/1/2018</u>	<u>Ending Market Value</u> <u>11/30/2018</u>
<u>JP Morgan Portfolio</u>		
Endowed Accounts		
A****8008	27,472,234	26,179,239
A****9004	7,175	0
S****8005	858,421	845,052
S****8003	1,172,169	1,176,745
W****3000	412	414
W****8003	2,705,974	2,868,259
N****7009	-	-
Donations awaiting transfer to pool	-	1
Total Endowed Accounts held within JP Morgan***	32,216,385.44	31,069,710
Gift Annuity		
V****8001	945,107	958,472
Current Funds	2,697,168	2,700,484
Total Investment Accounts Market Value	35,858,661	34,728,665
Endowed Funds Allocated Spending Account	954	930
Gift Annuity Cash Account		
JP Morgan Annuity Checking	54,577	36,198
JP Morgan - SGA Investment ***	297,024	301,766
Total JP Morgan Portfolio	36,211,216	35,067,560
<u>Other Assets</u>		
Perpetual Trust, PNC (Landers Scholarship)	1,503,915	1,475,157
Old Line Bank Shares, Common Stock ***	351,718	305,676
<u>Cash</u>		
Old Line Bank Checking Account	3,307,163	862,320
Old Line Bank Endowment Spending Account	381,762	569,851
Total	41,755,775	38,280,563

*** In addition to the JP Morgan Portfolio, the Foundation Endowment includes the Old Line Bank Shares & the SGA investment

*** The College holds a quasi-endowment in addition to the above funds

St. Mary's College of Maryland
Endowment Fund
As of 09/30/2018

	<u>6/30/2018 Balance</u>		<u>30-Sep-18</u>	<u>Annualized return</u>
Legg Mason / 1919 Investments - Cash & Equivalents	N/A		434,920.73	Cash
Legg Mason / 1919 Investments - Fixed Income	3,095,304.16	Fixed & Cash	2,288,226.09	
Legg Mason / 1919 Investments - Equity Portfolio	417,116.67		828,597.38	
	<u>3,512,420.83</u>		<u>3,551,744.20</u>	4.48%
Cash with Treasurer	385,000.42		385,000.42	Cash
Investable Total	<u>3,897,421.25</u>		<u>3,936,744.62</u>	
Other Investments	977.50		977.50	
Total Investments 6/30/2017	<u>3,898,398.75</u>		<u>3,937,722.12</u>	

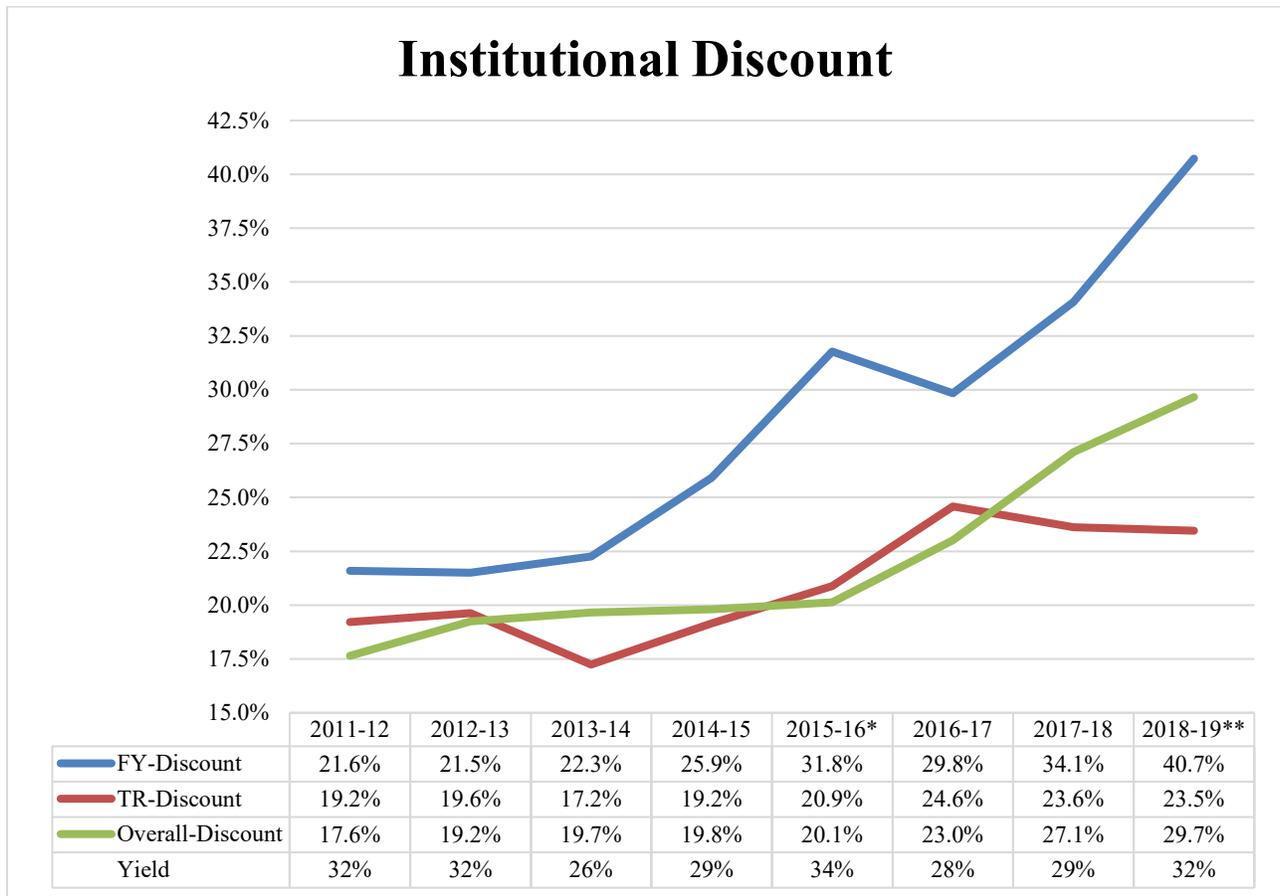
	<u>Asset Allocation *</u>			
	<u>Current</u>	<u>Lower</u>	<u>Target</u>	<u>Upper</u>
Domestic Equities	19%	20%	30%	50%
International Equities	4%	0%	5%	10%
Fixed Income	64%	50%	60%	70%
Cash	12%	30%	5%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>145%</u>

Note: Asset Allocation per Board of Trustees approved Investment Policy February 2, 2018

<u>Components of Endowment Fund:</u>	6/30/2018	9/30/2018
Restricted Non-expendable	1,000,117.00	1,000,117.00
Restricted Expendable	19,894.00	19,894.00
Board Designated	2,878,387.75	2,917,711.12
Total	<u>3,898,398.75</u>	<u>3,937,722.12</u>
Cash with Treasurer	285,000.42	385,000.42
FY18 Year End Transfer	100,000.00	

**BOARD OF TRUSTEES
ST. MARY'S COLLEGE OF MARYLAND
FINANCE, INVESTMENT, AND AUDIT COMMITTEE
MEETING OF JANUARY 22, 2019
INFORMATION ITEM III.F.
HISTORICAL DISCOUNT RATE/ENROLLMENT**

The chart below shows the overall institutional discount trend with lines for both first-year and transfer student discount trends. The chart also shows that the rising discount has been driven by the increased first-year student discount and mitigated, as much as it can be, by the new transfer student discount.



**ST. MARY'S COLLEGE OF MARYLAND FOUNDATION, INC.
AND THE JOINT INVESTMENT ADVISORY COMMITTEE**

Date of Meeting: January 22, 2019

Reporter: Michael O'Brien '68, Chair of the Joint Investment Advisory Committee, and Jack Saum '89, President of the St. Mary's College of Maryland Foundation, Inc.

Executive Summary

The Joint Investment and Advisory Committee (JIAC) and the SMCM Foundation met on November 13, 2018. Michael Garvey from J.P. Morgan reviewed with the JIAC the Foundation endowment portfolio as of 9/30/18. The report revealed a market value, net of fees, of \$32.88M as compared to the market value of \$32.24M as of 6/30/18. The total portfolio return on investment reveals an FY19 year-to-date gain of 1.9% (against the composite benchmark of 2.3%), a calendar year gain of 1.4% (against the composite benchmark of 1.9%) and an increase since the portfolio's inception 12/31/12 of 6.3% (against the composite benchmark of 5.2%).

Vice President for Business and CFO Paul Pusecker provided a report from 1/19, who manages the College's quasi-endowment and endowment portfolio. It showed a market value of \$3.94M as of 9/30/18 with an annualized return of 4.48%.

The JIAC Chair Mike O'Brien '68 reviewed the status of the RFPs for investment manager for both the Foundation's portfolio and for the College's quasi-endowment and endowment. Eighteen vendors bid on the Foundation's RFP and 13 on the College's. Four finalists (each had bid on both the Foundation's and the College's portfolio management) were invited to come to campus on December 6-7, 2018, for the JIAC to interview. Along with the JIAC members, Chair O'Brien noted FIA members and Foundation Directors were invited to attend in a non-voting capacity to ask questions and provide input to JIAC. Interviews commenced for Brown Advisory, Morgan Stanley Graystone, J.P. Morgan and Vanguard. In addition to the JIAC, Foundation Directors Harry Weitzel and Don McDougall participated in all interviews as well as Foundation Executive Director Carolyn Curry, Foundation Finance Director Jackie Wright, Vice President of Business/CFO Paul Pusecker and Assistant Vice President for Finance Chris True. The JIAC held a special meeting on December 17, 2018, to recommend J. P. Morgan as the investment manager to the Foundation Board and to Vice President Paul Pusecker on behalf of the College. The SMCM Foundation met immediately after the JIAC in special session on December 17 to accept the recommendation of J.P. Morgan as the Foundation's investment manager.

At the Foundation's November 13, 2018 meeting, President Jack Saum '89 and Executive Director Carolyn Curry led a review of metrics established by the Foundation to align with its strategic plan that spans three years. Among the data reported, total FY19 giving by 9/30/18 was \$349K toward a goal of \$1.95M and ROI (based on 2017-18 data) was \$2.54.



An overview of Giving Tuesday (November 27, 2018) was presented with strategies for achieving more than 1,000 donors. Treasurer Harry Weitzel presented the spending rate methodology used and the Foundation passed an FY20 spend rate and management fee of 5.75%. The Foundation also approved two new directors to begin three-year terms: Candace Osunade and Susan Paul.

**BOARD OF TRUSTEES
FINANCE, INVESTMENT, AND AUDIT COMMITTEE**

MINUTES

Date of Meeting: October 22, 2018

Status of Minutes: Approved December 17, 2018

Finance, Investment, and Audit Committee Members Present: Committee Chair John Wobensmith '93, Anirban Basu, Lex Birney, Donny Bryan '73, Faculty Delegate Liza Gijanto, Board Chair Sven Holmes, President Tuajuanda Jordan

Committee Members Absent: None

Staff Member: Paul Pusecker

Others Present: Betsy Barreto, Leonard Brown, Carolyn Curry, Cynthia Gross, Mary Grube, David Hautanen, Kelley Hernandez '08, Shannon Jarboe, Michael O'Brien '68, Jenell Sargent, Doria Stitts, Chris True, Mike Wick, Jackie Wright, Anna Yates

Executive Summary

Finance, Investment, and Audit Committee Chair John Wobensmith '93 called the meeting to order at 11:03 a.m.

FY18 Operating Budget Closing and Status of Financial Statement Audit

Fiscal Year 2018 closed on June 30, 2018, and the review and adjustments for year-end activity have been completed. The independent audit firm SB and Company has completed their fieldwork and the drafts of the financial statements were received from them on October 4, 2018. The College remains on schedule with the audit tasks and the audited statements will be provided to the Finance, Investment, and Audit Committee for review and approval in December.

Actual operating fund results have a surplus of \$102,000. Rollovers to FY19 totaled \$5.4 million for a fully funded, net-change in financial position over the last three fiscal years of zero. Rollovers include significant carry-forward items from the previous two fiscal years, including the Enterprise Resource Planning System project. In addition, \$100,000 was transferred to both Quasi Endowment and to the Plant Fund as part of the year-end closing process. The year-end operating result was approximately \$1.0 million higher than expected.

Synopsis of Bond Sale

The College refinanced its outstanding 2005, 2006 and 2014 Series A revenue bonds with the assistance of PFM, our financial advisor. The transaction formally closed on July 25, 2018. The face value of the bonds issued totaled \$18,715,000 at a true interest cost of 2.77%, which resulted in a net present value of savings over time totaling \$1.745 million, or 9.03% of bonds outstanding. There were no savings present in FY19, however, FY20 will realize a one-time savings of \$900,000.

Dashboards

Current dashboards with Fall 2018 data were provided. There were 1,701 applications received in Fall 2018, an increase of 46 from Fall 2017. Yield is at 28%. There were 20 more transfer students in Fall 2018 than there were in Fall 2017. Vice President for Enrollment Management David Hautanen informed the Committee that detailed metrics for discount rate, scholarship, and enrollment were under development. President Jordan noted that the College is diligently working toward reducing the discount rate.

Current Fund Unrestricted Budget FY19 Results to Date

Results to date reflected an increase in total revenue of 3.0%. Tuition and fee revenues increased by 5.4%. Revenue collections are at 40.7% of the budgeted level. Expenditures in FY19 are 3.9% higher than last year.

College Investment Manager Update

Proposals from five semi-finalists were made available to members of the Finance, Investment, and Audit Committee for review and comment. The list of semi-finalists was provided to the Joint Investment and Audit Committee (JIAC) to review in mid-October. The JIAC will complete on-campus interviews by mid-November. The goal is to make a final decision by the end of December 2018. Finance, Investment, and Audit Committee members are welcome to attend the on-campus interviews as non-voting participants.

Enterprise Resource Planning System (ERP)

The vendor, Campus Management, was selected to provide the new Enterprise Resource Planning System. Campus Management was chosen based on campus feedback, technical assessment, and cost. The statement of work is in its final stages and the procurement action will appear before the Board of Public Works on October 31, 2018. It is anticipated that the implementation plan will be in early 2019. It will take approximately two years to fully implement the system.

Joint Investment Activities

The College holds investments totaling \$3.9 million consisting of Endowment and Quasi-Endowment. As of August 31, 2018, the total market value of the Foundation's endowment is \$33.5 million.

Action Items

II.A. Revision of the FY19 Current Fund (Operating) Unrestricted Budget

The revision includes carry-forward authorization for \$5,454,221 and rollover items from the previous year, including \$2.4M for the ERP project and major institutional initiatives involving LEAD academic efforts and the marketing and branding campaign. A motion was made, seconded, and the item was approved unanimously.

II.B. Reconciliation of the FY19 Plant (Capital) Budget

The FY18 plant fund activity was reconciled. The FY19 active project budget totals \$6.1 with five major projects valued at \$4.9M. The FY19 active project budget totals \$6,130,718. The projected unencumbered plant fund balance is \$1.3 million pending the final receipt of future Foundation funds. A motion was made, seconded, and the item was approved unanimously.

II.C. 2018 Performance Accountability Report

The Performance Accountability Report, required by the State of Maryland, is used to assess the College's progress on a variety of goals and objectives including academics, enrollment, retention and graduation, financial aid, and student outcomes. The report provides data on specific metrics and narratives describing strengths and challenges. The Performance Accountability Report will be reviewed by the Student Affairs Committee and the Academic Affairs Committee at their respective meetings, which will take place on October 26. Contingent upon the endorsement of the report from the aforementioned Committees, the Finance, Investment, and Audit Committee will present the item for Board approval. A motion was made, seconded, and the item was approved unanimously.

The meeting adjourned at 11:29 a.m.